

Market Solutions and Strategies for Arkansas Vegetable & Specialty Crop Farmers
Funded by the Federal – State Marketing Improvement Program (FSMIP)
Final Report
September 1, 2002 – August 31, 2004

Background

A joint implementation strategy for the FSMIP grant was laid out between Winrock International, the Arkansas State Plant Board, Cooperative Extension, the University of Arkansas at Pine Bluff and the Arkansas Department of Economic Development. The strategy acknowledged the need to gain greater understanding of the issues of the industry and to ensure cost effective allocation of resources during difficult economic times.

The work to be performed this period under the FSMIP grant agreement fell into three basic categories:

- I. Conduct research on the eight (8) identified existing vegetable cooperatives
 - Examine and compile existing data collected by Cooperative Extension on production levels, types of crops produced, volumes produced and the cooperatives existing markets for these crops. Utilize list of cooperatives and contacts housed at Cooperative Extension office
 - Develop a questionnaire and conduct one on one interview with contact person for each cooperative and/or members of their board of directors to discover structure of each existing cooperative and the internal leadership dynamics of each cooperative
 - Research leading into interviews with each of the eight cooperative groups
 - Engage in preparatory meetings
 - Visit with each of the groups
- II. Conduct roundtable discussions on the following topics:
 - Discovery of common problems and issues
 - Delivery of information concerning current trends of the industry at the national level
 - Exploration of certification as growers
 - Determination of status of existing projects designed to address issues of the industry
 - Definition of services available through existing entities to support the industry
 - Documentation of success stories of others in the industry have solved similar problems
 - Lay out training sessions topics of interest to the groups
 - Explore advantages and disadvantages of collaboration among existing cooperatives

- III. Prepare and deliver a training package design based on outcomes of needs assessment conducted via interviews. Certain issues will be incorporated into the training package, regardless of the outcome of needs assessments, these being:
- How cooperatives are formed
 - How cooperatives operate
 - The advantages and disadvantages of cooperatives
 - The legal obligations of cooperative members
 - Similar information concerning federations of cooperatives
 - The basics of contract law
 - The basics of risk assessment for the cooperative member and farming entity.

The joint venture partnership-working group included Winrock International (Annett Pagan and Donna Uptagrafft); Arkansas Plant Board (Tim Ellison); Cooperative Extension (Ron Rainey); Arkansas Department of Economic Development (Rosemary Jackson) and UAPB Small Farm Project Leader (Ari K. Mwachofi). Assistance in organizing and conducting roundtable discussions among the project participants and cooperatives in the focus area was also identified as an item within the scope of work.

I. Conduct research on the eight (8) identified existing vegetable cooperatives

Project staff examined and compiled data collected by Arkansas Cooperative Extension, which, along with data collected from Louisiana, Mississippi, Texas and North Carolina, showed that data on Arkansas farmers and production levels, types of crops produced, volumes produced is woefully inadequate. Much more detailed information was available about this sector of the agricultural economy from other states.

Early in the project, the following were identified as the eight (8) existing vegetable cooperatives in eastern Arkansas that were to be the centerpiece of efforts under the agreement. These were:

1. Dermott Vegetable Cooperative
2. 2000 Vegetable Growers Cooperative
3. Lee County Vegetable Growers Association
4. Southeast Vegetable Cooperative
5. Gould Vegetable Cooperative
6. Hughes Vegetable Cooperative
7. St. Francis Vegetable Cooperative
8. Eastern Arkansas Vegetable Cooperative

Central to analyzing the needs of these eight (8) cooperatives was the clear identification of where these cooperatives were located, who their members and boards of directors were, the area of production for their membership, the focus for growth of the cooperatives, the leadership of each cooperative, the history of the cooperative and its current state of affairs.

Identification of the legal status of and the contact information for each of the cooperatives was approached a number of ways. By consulting existing public records, including the official corporate filing records maintained in the office of the Arkansas Secretary of State, the following was determined:

Dermott Vegetable Cooperative:

Contact person: Lawrence Jackson

Incorporation status: Has not filed as a corporation

Cooperative: The cooperative has not filed officially as a cooperative according to the records of the Secretary of State.

2000 Vegetable Growers Cooperative Association

Contact person: Satchell R. Meadows; 2117 ½ N. University Dr., Pine Bluff, AR

Cooperative status: The cooperative was officially filed with the Secretary of State on 10/24/2000; last updated 12/31/2001; the cooperative was found in the cooperative and corporation filings of the Secretary of State although filings are not in an active status.

Lee County Vegetable Growers Association

Contact person: Not found (as reflected in the records of the Secretary of State)

Cooperative status: The cooperative filed as a cooperative, but are not in an active or current status.

Incorporation status: Has not filed as a corporation.

Southeast Vegetable Cooperative

Contact person: Not found in the official records of the Secretary of State

Cooperative status: Has filed as a cooperative, but filings are not current.

Incorporation status: Has not filed as a corporation

Gould Vegetable Cooperative

Contact person: Not found in the official records of the Secretary of State

Cooperative status: Has not filed as a cooperative

Incorporation status: Has not filed as a corporation

Hughes Vegetable Cooperative

Contact person: Not found

Cooperative status: Has not filed as a cooperative

Incorporation status: Has not filed as a corporation

St. Francis County Vegetable Cooperative

Contact person: Not found

Cooperative status: Has not filed as a cooperative

Incorporation status: Has filed as a corporation, but filings are not current.

Eastern Arkansas Vegetable Cooperative

Contact person: Not found

Cooperative status: Has not filed as a cooperative

Incorporation status: Has not filed as a corporation.

Upon inquiry of Ron Rainey, Cooperative Extension Service, the following list of cooperatives was forwarded. This listing is based on names, addresses and other contact information obtained by Mr. Rainey through his work with the Cooperative Extension Service, in conjunction with UAPB, and is reflective of cooperative leader identification as of Spring 2001.

Dermott Cooperative

Contact Person: Lawrence Jackson, 125 Hill Comm. Road, Dermott, AR

2000 Vegetable Cooperative

Contact Persons: Satchell R. Meadows, 711 Kentucky St., Pine Bluff, AR and Mr. Josh Collins

Lee County Vegetable Growers

Contact Person: Ray Gillispie, P.O. Box 914, Marianna, AR and Mr. Napoleon Gillispie

Southeast AR Vegetable Growers Cooperative

Contact person: Stephan Walker, 6711 Walker Road, Altheimer, AR

Eastern AR Vegetable Cooperative

Contact Person: Floyd Morrow, P.O. Box 312, Turner, AR

Gould Vegetable Cooperative

Contact person: Tom Arnold (no address known)

St. Francis County Vegetable Growers

Contact person: Robert Smith (no address known)

Hughes Vegetable Cooperative

Contact person: Arnold Macklin (no address known)

A final source of information concerning the existence of the eight specific cooperatives and their contact persons was obtained through Winrock's offices later in the life of the project. This listing of cooperatives in Arkansas was based on previous projects and work done by and through Winrock International. In addition, a listing of cooperatives registered with the Arkansas Secretary of State was obtained.

Numerous attempts were made to follow up on and make telephone and personal contact with the cooperatives listed above. If a telephone number and address did not exist for an individual, contacting that individual was made more difficult. Adding to the difficulty in determining status and needs of the cooperatives, was the fact that with one exception, the identified cooperatives were not filed as official cooperatives with the Arkansas Secretary of State or had filed at one time and gone into a non-current status. In order to legally operate as a cooperative in the state of Arkansas, those cooperatives that have previously filed as cooperatives must bring their status current.

Conclusions of Preliminary Cooperative Research

It became clear from the information sought from and obtained through various sources concerning the cooperatives that were the initial target of this project, that none of the cooperatives enjoyed "current" status with the Secretary of State's office. In other words, none of the eight (8) existing cooperatives were capable of functioning legally as a cooperative. There may exist loose affiliations of producers throughout the area in question that might function, either consistently or inconsistently, as de facto cooperatives. However, as far as the state of Arkansas is concerned (from a legal standpoint) none of the eight (8) are current, most having never filed incorporation/cooperative formation paperwork with the State.

Before additional work could be done with the eight (8) identified vegetable "cooperatives," as a matter of public policy it was determined that the project be refocused on providing broader cooperative development education and efforts throughout the region and throughout the state, or whether additional resources should be pledged to provide targeted financial, legal, technical and other advice and assistance to the eight (8) cooperatives in question (should their leadership be identified) in order to improve their functioning or to create a cooperative structure where none might currently exist.

Upon consideration by members of the partnership, the project refocused on providing broader cooperative information and education throughout the region, in order to more comprehensively address those who might be heretofore unidentified, but who might possess a great interest in cooperative development and formation among existing producers. The project will get the word out among the vegetable producer communities in the focus region and attempt to do the same work that was initially contemplated by this agreement, but on a more general scale.

Continued Cooperative Activities

Organizational meetings were held with minority limited resource farmers' initiative, which included meetings with minority farmers in each of three regions, Marvell, Pine Bluff, and Dermott. *(See enclosed PowerPoint presentation #1 –FSMIP Coop 101)* The turnout and interest was high in each region, over 100 farmers in Marvell, 35 farmers in Dermott, and 40 farmers in Pine Bluff. The agenda of those meetings is attached. Center staff found that two existing but non-functional cooperatives exist in Marvell, one existing but also non-functional cooperative is in Dermott, and two existing but non-functional cooperative exist in the Pine Bluff area. Each region chose members to serve on steering committees to explore re-establishing existing cooperatives or forming new cooperatives.

Clearly three regional groups of farmers surfaced during the process of organizing and collecting market information. Staff determined that the project's success was dependent on focusing work plan activities with the following three identified groups, with each group having strong and committed leadership:

1. Dermott Vegetable Cooperative

2. Lee County Vegetable Growers Association & Hughes Vegetable Cooperative merged, forming the Arkansas Delta Produce Marketing Association, Inc.
3. Eastern Arkansas Vegetable Cooperative

Our approach of having steering committee leaders from each regional cooperative actively participate in the market research as well as conducting cooperative structure research was very successful as participation provided buy-in and a better understanding of the issues surrounding joint marketing, and how better coordinated, well-planned production is important in the overall marketing scheme.

In addition, project staff decided to focus on existing capacity within the three regional cooperatives first and then look at potential capacity in time given expected successes.

II. Conduct roundtable discussions

Roundtable informal meetings/discussions were planned for two locations: Helena and Pine Bluff. Project staff was instrumental in pulling together the details of meeting times and place coordination and staff of Winrock made calls to a list of potential cooperative participants.

Prior meetings in Jackson, Mississippi with the Mississippi Association of Cooperatives, a member of the Federation of Southern Cooperatives, were conducted in October 2002. The leader of the Mississippi Association of Cooperatives, Melbah Smith, was invited to attend the November meetings in Helena and Pine Bluff. Ms. Smith was invited in order to discuss with attendees the history of the Mississippi Association of Cooperatives and the Federation of Southern Cooperatives, how the two organizations function separately and in concert with one another, and the experiences of individual and cooperative member producers in creating new or improving existing vegetable markets for southern region producers.

Since farmer participation was low, additional meetings were scheduled and the project enlisted the help of a local non-profit organization to reach the farmers. *(See enclosed PowerPoint presentation #2 – FSMIP with photos)* The economic circumstances facing most agricultural producers at this point in time probably plays a large role in the level of participation of individuals in cooperative enterprises. The second round of meeting had a much higher success rate of attendance, and produced the desired results of assessing the needs of the farmers.

We found that each group has common problems in terms of marketing, quality and quantity of production, risk management, crop insurance, access to credit for inputs and equipment; however, it is clear that while the groups share common problems, each group has specific interests and concerns.

Results include a network of existing strengthened cooperatives representing three regions of the state. Each regional cooperative has different primary focused infinitives but are now cooperating in terms of market research, improving volumes and quality of crops. For example, Region 1 focused on building infrastructure necessary for storage,

drying, and curing of sweet potatoes, Region 2 focused on marketing a brokering, and Region 3 focused on building program for youth in agriculture as a means to restore youth in the community and replenish farmers.

Materials were given out at each meeting regarding assistance available on becoming organic certified, and information on how to apply for cost sharing through the Arkansas State Plant Board. It is highly unlikely that many of the farmer cooperatives are ready to become organic suppliers, although all three groups are interested in pursuing the concept after they are better organized.

Market Research Conducted:

- Steering committee members from each of the three regional cooperatives and Center Staff visited Ohio Appalachian Economic Opportunities kitchen incubator program – resulted in process of modifying and duplicating the model for value-added processing. Business Plan development underway.
- Steering committee members from each of the three regional cooperatives and Center Staff visited Oklahoma Trade Show to generate ideas and sales.
- Steering committee members from each of the Arkansas Delta Produce Marketing Association, Inc. and Center staff visited 2 successful sweet potato processing facilities in Oak Grove, La.

Winrock International and its partners are working with each group on special projects that grew out of this project.

Region 1 Cooperative Activities

Arkansas Delta Produce Marketing Association, Inc.

A sweet potato storage, drying, curing, and packaging facility are planned in partnership with a non-profit organization located in Helena. The project was born directly out of research conducted under this project exploring success stories. Two research trips were conducted.

- (1) A visit to ACENET, located in Ohio, (*see Attachment A*) which is a non-profit incubator that provides access to processing facilities for local farmers and groups of farmers to pay for the use of the facility. A marketing person is on staff, along with a food scientist to assist the farmers in producing, labeling, and marketing their value-added products.
- (2) Visits to two successful sweet potato storage, drying, curing, and packaging facilities in Oak Grove, Louisiana. Owners and operators of these two facilities purchase potatoes from local farmers at \$8 per bushel, holding and selling at top prices of \$17 per bushel. Local farmers are guaranteed a market for their potatoes. Up 1,000 acres in the Lee County and Phillips County could easily be committed to growing sweet potatoes if proper storage, drying, and curing facilities were constructed.

Staff members from Winrock International, the Central Arkansas RC&D (a local non-profit) and six members of a farmer steering committee reviewed and analyzed what was

learned from these two trips, then developed a modified model to fit their needs. Central Arkansas RC&D will build the storage, drying, curing and packaging facility and lease space to the farmer cooperative to pay back the loans for the facility. Included in the lease space price will be other services that the non-profit will provide; for example, washing, packing, and shipping. Farmers will have the option of marketing their potatoes individually or have the cooperative do marketing for them. The non-profit operating the infrastructure will do initial marketing. It is expected that once the facility is up and running and profitable, and the cooperative is functioning well and generating good margin sales, the cooperative will purchase the storage facility, phasing out the need for the non-profit.

Members of the cooperative attended a large food show in Chicago generating sales and building all important broker relationships. The cooperative is planning to exhibit in next year's show. Winrock International's certified Trade Show Organizer and Exhibit Specialist attended the show and is working with the cooperative to plan next year's exhibit, including plans for a chef to be on hand in the booth. Winrock International is providing direct connections to brokers in Canada looking for supplies of greens in an attempt to generate sales leads for export.

Region 2 Cooperative Activities

Dermott Vegetable Cooperative

This special project is also in partnership with a local non-profit and includes the need to involve youth in agriculture.

The cooperative special project plans to employ 20 youth in both the classroom setting and on the job training to replenish interest in agriculture as a profitable occupation. The project includes the development of a farmers market and a direct sales program to elderly in the community who are eligible and receive food coupons. Youth will learn first hand about sales, marketing, production, harvest, and packaging.

Region 3 Cooperative Activities

Southeast Arkansas Cooperative

This group, located near Pine Bluff, Arkansas, will focus on the marketing aspect of their products and will assist Region 1 in sales and marketing. This cooperative has contacts with brokers in Chicago. Winrock will continue to assist them in building additional contacts in other parts of the U.S. and Canada.

III. Prepare and deliver a training package design based on outcomes of needs assessment.

The cooperative information has been compiled into easy to understand outlines (*see Attachment B*) and is being utilized on an on-going basis. In addition to the organizational information mentioned in the original proposal, we discovered the need for training on issues surrounding improving access to credit. The project staff designed and conducted three workshops designed to help Specialty Crop Farmers in the Delta Region understand factors necessary to improve credit worthiness.

The workshop agenda included the following subjects: business terminology, budgeting, obtaining credit and maintaining a good credit history, insurance, the importance of savings, and the process of declaring bankruptcy and how to recover from bankruptcy. Three workshops were organized and conducted in three locations – Helena, Pine Bluff, and Dermott. Workshop information was developed into Fact Sheets for easy distribution.

Conclusions

All components of the project were addressed and this Phase I project is completed.

Attachment A



**Site Visit to ACEnet, Inc.
Athens, Ohio**
*Sponsored by Winrock International
November 16-18, 2003*

Participants:

Traveling by airplane:

Annett Pagan, Winrock International
Donna Uptagrafft, Winrock International
Bruce Leggitt, Central Arkansas RC&D
Cindy Neal, Central Arkansas RC&D
Ester Doolittle
James T. Stephenson
Earnest Lee Larry
Dr. Henry English
Harvey L. Williams
Andy Martinez, Winrock International

Traveling by personal vehicle:

Victor Zachary
Annie Ruth Pike Zachary
Sullivan Evans
Billy Michael Williams

Purpose of the Site Visit

The Appalachian Center for Economic Networks (ACEnet) is a nonprofit community development corporation working to transform the economy of Appalachian Ohio. ACEnet's **Food Ventures Project** works with many community partners to open opportunities for new specialty food jobs and businesses in Southeast Ohio. One project of ACEnet's, the 8,000 square foot Community Kitchen Incubator, is one of only a dozen or so such time-shared food production facilities in the country.

The purpose of this site visit is to take a closer look at the Food Ventures Project, especially the Community Kitchen Incubator model, and relate those services to needs of Arkansas farmers.

Itinerary

Sunday, Nov. 16

12:15 pm	Meet at Little Rock Airport
1:25 p.m.	Delta Flight #1166 departs for Atlanta
6:19 p.m.	Delta Flight #1664 arrives Columbus Ohio
7:00 p.m.	Dinner – location to be determined
9:30 p.m.	Arrive Ohio University Inn and Conference Center 331 Richland Avenue, Athens, OH 45701 Phone: 740-589-3704

Monday, Nov. 17

8:00 a.m.	Meet in hotel for breakfast and discuss day's activities We will travel together to the ACEnet site, and participate in the tour between 9:00 a.m. and 5:00 p.m. ACEnet 94 Columbus Road - Athens, Ohio 45701 Phone: 740.592.3854
7:00 p.m.	Dinner, Cutler's Restaurant, Ohio University Inn and Conference Center

Tuesday, Nov. 18

7:30 a.m.	Breakfast
8:00 a.m.	Meet to discuss previous day's activities
10:00 a.m.	Depart for Columbus
11:30 a.m.	Lunch in Columbus, location TBD
12:30 p.m.	Arrive Columbus Airport
1:30 p.m.	Delta Flight #2249 departs to Atlanta
4:55 p.m.	Delta Flight #1663 arrives in Little Rock

Attachment B

Duties & Responsibilities Associated with Cooperatives

Responsibilities of the Cooperative *Member*

- Support the cooperative by doing business with the cooperative – patronize the cooperative
- Comply with the requirements of the marketing contract you sign with the cooperative
- Elect a board of directors
- Remove the board of directors, if necessary
- Monitor the activities of the board of directors, managers and employees of the cooperative to ensure they are carrying out membership mandates and obeying the cooperative bylaws
- Hold the directors, managers and employees responsible for their actions
- Be informed concerning the business of the cooperative
- Read annual reports
- Communicate with Directors, managers and employees of the cooperative
- Attend the annual meeting
- Vote on issues before the membership
- Abide by decisions of the majority of the membership
- Be loyal to the cooperative and its management. But, if steps need to be taken to address problems caused by the directors, manager or employees, step up to the plate.
- Provide necessary capital to the cooperative
- Review, understand, adopt and amend any legal papers relevant to the business, such as the articles of incorporation, bylaws and any amendments to these documents
- Be informed and communicate, communicate, communicate

Responsibilities of the Cooperative *Board of Directors*

- Represent the needs of the membership
- Oversee the member owners' investments with the utmost care
- Work as a team with other board members
- Make sure you understand the articles of incorporation and bylaws and ensure that business of the cooperative is conducted in accordance with provisions in these documents
- Do not act outside the scope of your position – act on board issues with board authorization
- Make responsible hiring decisions regarding the cooperative manager
- Oversee the manager's activities
- Set good policies and chart a proper course for the cooperative
- Be diligent in the conduct of your board responsibilities
- Acquire adequate resources, including financing, for the cooperative so that it may do its business well
- Honestly evaluate the business of the cooperative
- Engage competent professionals
- Listen & Lead
- Attend all board and membership functions
- Be open to new ideas
- Be willing to attend training sessions – who knows, you might learn something new!
- Adopt the policies that will guide the manager and employees
- Try not to micro-manage!
- Obtain competent outside professional advice: legal and financial – then, use it!
- Keep good records of the board's activities
- Audit the activities of the manager, employees and the business ventures of the

cooperative from time to time

- Regularly engage in strategic planning activities
- Satisfy yourself that all appropriate licenses or permits have been obtained
- Appoint committees to help with cooperative activities where appropriate
- Understand all contracts into which the cooperative enters – such as, leases, loan agreements, marketing agreements, supply agreements
- Communicate, communicate, communicate

What traits does a good Board member possess?

Objectivity, willingness to learn, good business judgment and common sense, success in other business ventures, loyalty, participating member of the cooperative, has the time necessary to devote to the cooperative, ability to protect sensitive materials, willingness to accept the responsibilities, someone who works well with a team, open-mindedness, honesty and integrity, a leader!

Responsibilities of the Cooperative *Manager*

- Develop and direct the cooperative's activities in marketing or other commercial pursuits
- Follow the board and membership directives
- Follow cooperative policies as expressed in the bylaws
- Keep the board informed of the cooperative's financial status
- Provide business and informational assistance to the board without being asked to do so
- Determine the cooperative's needs and prepare a plan to meet those needs
- Seek approval of activities through the board
- Communicate with the board & the membership – create and maintain strong relationships
- Build positive working relationships
- Assemble a strong employee group – supervise and support your employees
- Develop and direct marketing plans and activities
- Establish and achieve sales goals, profitability goals and other goals of the organization
- Act within the scope of your employment
- Engage in long-range and short-range planning with the board, membership and the employees
- Maintain adequate bookkeeping and accounting records
- Hire, train, supervise and review performance of employees, and be willing to discipline or even terminate employees if necessary
- Communicate, communicate, and communicate

What traits make a good Manager?

Experience in leading business organization, ability to communicate, team leader and worker, interest in seeing the cooperative flourish, good oral and written communication skills, flexibility, integrity, fairness, ability to get work done in a timely and efficient manner, recognition of the unique attributes of a cooperative and the manager's role in making a cooperative work.

Responsibilities of the Cooperative Employee

- Work with others involved in the cooperative – the manager, the board of directors and the membership
- Upgrade your skills and knowledge so that you can better serve the cooperative
- Represent and reflect the cooperative at all times
- Provide the cooperative members, board and manager with the best work you can
- Act within the scope of your employment
- Report problems in a timely fashion
- Communicate, communicate, communicate